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29 May 1946

MEMORANDUM

TO: The Director
FROM: General Counsel
SUBJECT: Appropriation Hearings

I. For your information I submit some notes on past Appropriation Hearings before the House Subcommittee which may be useful as indications of typical approach and questions. Normally, the proposed Budget is stated in brief by the Chairman at the outset and comment made on any proposed increases or reductions. The Committee will then ask for or give opportunity to present a general statement. In past years they have recognized that much of the information to be given is not record material, and have permitted such a general statement to be off the record as well as such of the subsequent testimony as involves security. The general statement should generally cover the following points:

(1) Status of this Unit: (i.e. termination of OSS and transfer of functions to Secretary of War and delegation to the Director, SSU).

(2) Purpose of Unit: I believe it should be emphasized that with the end of the war, there was a dual goal to be reached as specified in the Executive Directive of 27 September 1945:

(a) The liquidation of such functions as were no longer necessary;

(b) The preservation of those other functions which would be of continuing use in peace time.

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General statements of how far the liquidation under (a) has proceeded should be included, and under (b) some mention could be made of the developing relationship with CIG.

(3) The authorization and justification of the Unit's work should be outlined; the authorization presumably consisting of directives from CIG and the justification stating that the Unit is engaged primarily in the overseas collection of information in a field outside the purview of any other Government agency. The clandestine nature of operations should be emphasized as far as security permits.

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III. As a rule, the personnel questions outlined above constitute the bulk of the testimony. Other questions

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which have been asked from time to time and may well recur are outlined below:

(1) Does the work of the Unit overlap or duplicate that of any other Government agency; specifically, the F.B.I. or the Secret Service? There is opportunity here to emphasize the lack of any police powers.

(2) Does the Unit operate within this country? The answer, as in previous cases, should be a categorical "no", even though the point in one year was raised about the activities of FN Branch. The Committee accepted that this was merely another approach to obtaining information from overseas and did not overlap the operations of F.B.I. in this country.

(3) In previous years the Committee has usually emphasized that they are expressing unusual confidence personally in the Director by permitting him to account for such large expenditures of Government funds on his own certificate. The Director should acknowledge this trust and might, preferably off the record, outline the system of controls and checks in the internal administration of unvouchered funds. This year it is possible the Committee may attack the whole principle of unvouchered funds, so valid arguments should be carefully prepared to support the need for them as essential to operations and a thorough justification made of the proportion of the appropriation to be unvouchered.

(4) Normally the Committee will want a report of actual expenditures and commitments to the latest possible date. Explanation of lag in overseas reports should be given. Detailed breakdowns of vouchered funds expenditures will be required for comparison with future estimates, and on unvouchered funds it might be advisable to prepare an off-the-record statement, giving lump sums by geographical division (continents) or by general purposes, for comparison of past and planned expenses. Such figures are periodically reported to the Treasury in any case, so are readily available.

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(5) In war years, a common question on the justification for the appropriation was whether the funds saved time and lives, or otherwise contributed directly to the war effort, which gave General Donovan an opportunity to make a flat statement in the affirmative. The question now may well be asked if, since the question of lives and the war is not in point, what takes its place as a

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justification. I believe the subject of an intelligence agency has received so much attention this year that a brief statement of your belief as to the results to be achieved would be sufficient.

(6) Following are typical detail questions which have been asked on prior Hearings for OSS or other agencies:

What are the specific duties of such and such a position?

What is the justification for the travel estimated for one office?

What WOC and WAE employees are contemplated?

What is the status of contract termination and what power has the Unit to contract?

What building space do we occupy?

When was the budget prepared, and when first and how often discussed with the Budget Bureau?

Almost anything else could be asked, but in view of the way our budget is coming up this year, it is felt we have probably been over-detailed in the above discussion.

It is much the best practice for the Head of an agency to do as much of the talking as possible, and it is felt that Mr. Saunders could probably supply almost any facts and figures from his prepared documents that you would need to have with you. You may, of course, take anyone you want but the fewer normally the better the impression on the Committee.

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LRH/ml1

LAWRENCE R. HOUSTON

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